

SUBCOMMITTEE 3

FINAL ACTION REPORT

Senate Budget and Fiscal Review

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SUBCOMMITTEE No. 3

HEALTH, HUMAN SERVICES, LABOR, and VETERANS AFFAIRS

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HEALTH

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

- Augmented by almost \$1.4 million (General Fund) to provide additional funds to support additional positions for the CHHS Agency.

2400 DEPARTMENT OF MANAGED HEALTH CARE

- Approved as budgeted.

4100 STATE COUNCIL ON DEVELOPMENTAL DISABILITIES

- Approved as budgeted.

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

- Approved as proposed six limited-term positions and \$6 million (federal funds) to continue bioterrorism response preparedness activities related to hospitals. This is being done in coordination with the Department of Health Services.
- Increased by \$250,000 (federal funds) for the development of anti-terrorism programs.

4260 DEPARTMENT OF HEALTH SERVICES

The Medi-Cal Program

- Eliminated the caps on enrollment for certain Medi-Cal Programs as originally proposed by the Governor in his January budget.
- Eliminated the 5 percent rate reduction on Medi-Cal fee-for-service rates and the additional 10 percent rate reduction on all Medi-Cal rates as originally proposed by the Governor in his January budget. The 5 percent piece was eliminated due to a court injunction. The state is appealing the injunction. It is unknown at this time when the appeal may be heard. It should be noted that the 5 percent reduction, as contained in the Budget Act of 2003, has been applied to Medi-Cal Managed Care plans effective January 1, 2004 for total savings of \$123 million (\$61.5 million General Fund). In addition, the budget was augmented by \$926,000 (General Fund) to eliminate the 5 percent reimbursement reduction for the Multipurpose Senior Services

Program (MSSP). The Omnibus Health Trailer bill (SB 1103, Chapter 228, Statutes of 2004) also contains language to exempt the MSSP, as well as the Breast and Cervical Cancer Early Detection Program from any rate reduction.

- Delayed the Medi-Cal checkwrite for the last week in June 2005 to July 2005 for savings of \$287.4 million (\$143.9 million General Fund). The providers would still receive reimbursement but it would be delayed by a few days.
- Delayed the Medi-Cal checkwrite by one week beginning as of July 1, 2004, and continuing indefinitely, to enable the DHS to more closely review billings for anti-fraud purposes. Savings of \$287.4 million (\$143.9 million) were identified for the checkwrite deferral into the next year and an additional \$2 million (\$1 million General Fund) was identified for anti-fraud savings.
- Changed how Medi-Cal reimburses pharmacy providers for net savings of \$104.2 million (\$52.1 million General Fund). This savings figure is the result of two key changes. First, it reflects an increase in the amount paid pharmacists for dispensing drugs from \$4.05 per prescription to \$7.25, except for long-term care pharmacies who will receive \$8.00 per prescription. Second, it changes the reimbursement for drug ingredient costs from Average Wholesale Price (AWP) minus 20 percent to AWP minus 17 percent. The budget assumes an implementation date of September 1, 2004. This action required statutory changes. In addition, a special adjustment was adopted for pharmacies which serve a high proportion of individuals with HIV/AIDS and provide case management services; this adjustment is discussed below.
- Adopted an augmentation of \$1.5 million (\$750,000 General Fund) for the DHS to provide a special adjustment for non-profit pharmacies that serve a high proportion of individuals with HIV/AIDS and provide case management services. This augmentation was vetoed by the Governor.
- Modified the Governor's proposal for Adult Day Health Centers (ADHCs) by recognizing total savings of \$16.3 million (\$8.2 million General Fund) attributable to revised assumptions regarding baseline funding and the moratorium. Approved modified trailer bill language regarding the moratorium and rejected the Administration's proposal to craft a new federal Waiver for the program through the budget process. The new federal Waiver framework will instead proceed through the policy committee process. This action required trailer bill language.
- Reduced by \$57.3 million (\$28.6 million General Fund) by adjusting the interim hospital payments for acute inpatient services by ten percent effective September 1, 2004. This action required trailer bill language.
- Proposed savings of \$12.5 million General Fund by implementing a Quality Assurance Fee for Managed Care plans providing services under the Medi-Cal Program. This action required trailer bill language.
- Rejected trailer bill language regarding establishing an Average Selling Price for medical supplies. No savings were attributable to this proposal and the DHS has not yet implemented other cost containment proposals for medical supplies that were adopted through the Budget Act of 2003.

- Reduced by \$66.7 million (\$33.3 million General Fund) to reflect a reconciliation of state and county Medi-Cal eligibility records within Los Angeles County. Through this reconciliation process, about 130,000 recipients will receive notices that their Medi-Cal eligibility is in question.
- Adopted the Governor's proposal to eliminate the supplemental wage payment for nursing homes for savings of \$92 million (\$46 million General Fund).
- Provided \$30.3 million (\$15.1 million General Fund) to increase the Medi-Cal reimbursement rates paid to County Organized Health Systems (COHS) by an average of 3 percent effective with each plan's 2004-05 contract rate period.
- Rejected the Administration's proposal to eliminate the Alternative Payment Method provided to Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs) as provided under the state's existing Medi-Cal State Plan for increased expenditures of \$9.8 million (\$4.9 million General Fund).
- Adopted several pieces of trailer bill language regarding FQHCs/RHCs to (1) expedite implementation of the scope-of-service changes under the Prospective Payment System, (2) recognize the Administration's intent to pay 100 percent of the owed retroactive payments, and (3) clarify how consolidated cost reports will be handled.
- Reduced by \$46 million (\$23 million General Fund) the appropriation for county administration of Medi-Cal eligibility and related activities as proposed by the Administration. Also adopted modified trailer bill language to implement a cost control plan with the counties, and rejected the Administration's budget bill language which was unnecessary.
- Recognized \$18 million (\$9 million General Fund) in savings as proposed to have counties more expeditiously reconcile certain data files with the state's Medi-Cal Eligibility Data System. Also adopted modified trailer bill language for implementation purposes, and rejected the DHS request for a position for additional savings of \$100,000 (\$50,000 General Fund).
- Rejected the DHS proposal to hire a contractor to conduct validation reviews of counties to find potentially ineligible individuals for which the contractor would receive payment. Though it was unlikely that savings would be achieved from this proposal, \$6 million (\$3 million General Fund) was provided to backfill for the proposed reduction.
- Restricted the billing of Medi-Cal for electromyography and nerve conduction tests to physicians who have received specialized training in these types of tests for savings of \$1.3 million (\$652,000 General Fund).
- Rejected trailer bill language related to making asset determinations for individuals seeking Medi-Cal eligibility for long-term care services because the proposal lacked clarity with existing federal law and proposed to bypass the state's regulatory process.
- Continued implementation of the County Performance Accountability Standards from the Budget Act of 2003 for savings of \$167.2 million (\$83.6 million General Fund) in 2004-05.
- Continued implementation of semi-annual reporting regarding Medi-Cal eligibility for savings of \$167.8 million (\$83.9 million General Fund) in 2004-05.

- Continued implementation of increased Medical Case Management for savings of \$16.5 million (\$8.3 million General Fund) in 2004-05.
- Commenced implementation of contracting for certain durable medical equipment and clinical laboratory services for savings of \$15.1 million (\$7.5 million General Fund).
- Continued implementation of the frequency limits placed on certain laboratory services as directed in the Budget Act of 2003. A total of \$10.7 million (\$5.4 million General Fund) will be saved in 2004-05 from this action.
- Assumed savings of \$18 million (\$9 million General Fund) due to increased third-party reimbursement from personal injury recovery cases and estate recoveries.
- Assumed savings of \$15 million (\$7.5 million General Fund) from increased audits of nursing homes related to payments for Medicare and Medi-Cal crossover recipients.
- Adopted savings of \$5.8 million (General Fund) and \$1.5 million (Tobacco Settlement Fund) by identifying past appropriations which can be reverted within the Medi-Cal Program.
- Continued implementation of the Orthopaedic Hospital Settlement for hospital outpatient rates to reflect a total rate adjustment of 43.4 percent over the 2000-01 base period. Total expenditures for 2004-05 are \$212.9 million (\$106.5 million General Fund).
- Rejected the proposed transfer of eligibility processing from the state to the counties for the Breast and Cervical Cancer Treatment Program for net savings of \$950,000 (General Fund).
- Approved 18 positions, or half of what was requested, for the DHS to process more treatment authorization requests (TARs) in Medi-Cal for expenditures of \$2.0 million (\$511,000 General Fund). Also adopted modified trailer bill language regarding changes to the TAR process.
- Denied the proposed increase of \$3.1 million (\$1.5 million General Fund) for DHS staff and contract resources to design and implement a new federal Waiver for the Medi-Cal Program. This action was taken in relation to the Administration's announcement of delaying any major Medi-Cal Program redesign until early in 2005. The Administration also assumes submission of an 1115 Waiver to the federal government by September 2004. Further, an added component to the redesign effort is to restructure existing hospital financing with regards to intergovernmental transfer funds and disproportionate share hospital inpatient funding.
- Approved as proposed an increase of \$225,000 (General Fund) and 5 positions to proceed with implementation of a federal Independence Plus Waiver for the In Home Support Services Program (IHSS).
- Augmented by \$277,000 (\$139,000 General Fund) to provide three new positions for the DHS audits and investigation unit to review IHSS cases as part of the IHSS Quality Assurance Initiative to be implemented by the Department of Social Services.
- Approved 20 new positions in lieu of the requested 41 positions to conduct more non-contract hospital field audits for savings of about \$6.2 million (\$3.1 million General Fund).
- Approved as proposed an increase of \$301,000 (General Fund) to make changes to the licensing and certification process as it pertains to criminal background checks.

- Adjusted the Administration's proposal to hire 5 new staff to conduct activities related to the federal Medicare Prescription Drug Act for expenditures of \$437,000 (\$151,000 General Fund) by providing funding for only three positions for savings of \$59,000 (General Fund).
- Deleted requested funds of \$590,000 (\$194,000 General Fund) to support four new positions and purchase tracking software to better oversee the Fiscal Intermediary contract with Electronic Data System as recommended by the Legislative Analyst's Office.
- Rejected trailer bill language regarding counterfeit-proof prescription pads and referred the proposal to the policy committee process. The proposed language represented no savings in the budget year.
- Adopted trailer bill language to extend the sunset of the 250 percent Working Disabled Program from April 1, 2005 to September 1, 2008.
- Adopted trailer bill language to eliminate the sunset date for the Graduate Medical Education Program which provides supplemental federal funding to certain California hospitals that serve as teaching hospitals.
- Approved trailer bill language to continue the existing carve out for the California Children's Services Program from Medi-Cal Managed Care for another three years (until September 1, 2008).
- Adopted trailer bill language that identifies County Organized Health Systems and Local Initiatives as governmental entities.
- Adopted Budget Bill language to require the DHS to provide the Legislature with a copy of the Error Rate Study pertaining to the state's Medi-Cal anti-fraud efforts by no later than November 1, 2004.

Public Health Programs

- Appropriated \$72.4 million (federal funds) to local health jurisdictions to proceed with extensive activities associated with various federal bioterrorism requirements. However, the state appropriation for these grant funds was reduced by \$2.3 million since the DHS has not yet finalized the Cooperative Agreement with the federal government. As such, this \$2.3 million (federal funds) will be available for appropriation through the policy committee process as was done last year. In addition, Budget Bill language was adopted to (1) require the DHS to include in the Cooperative Agreement application a provision requesting funding for Chapter 891, Statutes of 2002, pertaining to low-level radioactive waste and (2) require the DHS to keep the Legislature informed as to the approval of the state's application and any changes proposed by the federal government. Further, trailer bill language was crafted to provide the DHS with authority to expedite the dissemination of bioterrorism funds to local health jurisdictions, hospitals, emergency medical entities, and the poison control center.
- Appropriated a total of \$110.1 million, including state support, for Proposition 50—the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 related grants (\$10.4 million is for Chapter 3-related functions and \$99.8 million is for Chapter 4-related functions). Also obtained a commitment from the Administration to work on crafting a policy bill to

provide a framework for the dissemination of some of these bond funds to private water companies.

- Provided \$20 million (CalWORKs TANF Funds) to support the Community Challenge Grant Program that provides parenting assistance and serves to mitigate teenaged pregnancies.
- Provided full funding for the AIDS Drug Assistance Program (ADAP) which includes an increase of \$26.9 million (\$21 million Drug Rebate Funds, \$2.7 million General Fund, and \$3.1 million federal funds) over the Governor's January budget. Also adopted trailer bill language to establish a special fund for the collection of drug rebate funds.
- Approved trailer bill language regarding the expansion of the Newborn Screening Program and provided \$2.711 million (Genetic Disease Testing Fund) and four positions to implement the expansion by July 1, 2005.
- Adopted trailer bill language to establish a special fund for the collection of rebates for the California Children's Services (CCS) Program and Genetically Handicapped Persons Program (GHPP). This action will ensure greater accountability and fiscal tracking of these rebates.
- Appropriates \$232,000 (General Fund) and two positions to implement SB 322 (Ortiz), Statutes of 2003, regarding Stem Cell research.
- Rejected the Administration's January proposal to repeal existing statute related to (1) SB 308 (Ducheny), Statutes of 2003; (2) SB 617 (Speier), Statutes of 2003; (3) AB 1676 (Dutra), Statutes of 2003; and (4) AB 71 (Horton), Statutes of 2003.
- Provided \$3.8 million (Infant Botulism Fund) and transfers an additional \$500,000 from the Health Statistics Fund as a loan to support the production and distribution of BabyBIG to treat infant botulism by neutralizing botulinum toxin.
- Continued the deferral of \$20 million (General Fund) for the County Medical Services Program for one more year. This action required trailer bill language.
- Approved \$590,000 (\$208,000 General Fund) and five positions for the California Partnership for Long-Term Care Program. Also adopted trailer bill language to (1) eliminate the sunset for the program and (2) require specified insurance issuers to reimburse the state \$20,000 annually for common marketing materials.
- Adopted Budget Bill language to require the DHS to report to the Legislature by November 1, 2004 on what actions have been taken to improve their contracting process.
- Approved the Administration's proposal regarding the appropriation of Proposition 99 Funds, but rejected proposed trailer bill legislation that would have hindered the expenditure of funds for anti-tobacco media efforts.
- Increased by \$2.5 million (General Fund) to provide additional funds for Adult Influenza Vaccine.
- Reduced by \$2 million (General Fund) the Administration's proposed loan of \$5 million for the Genetic Disease Testing Program.

- Approved the Administration's request for seven positions and an increase of \$394,000 (Genetic Disease Testing Fund) for the Genetic Disease Testing Program to improve revenue collection and to make other program improvements.
- Approved the Governor's budget for the Cancer Research Program and the Prostate Cancer Program.
- Approved implementation of the Medical Marijuana ID Program as proposed by the Administration, including 8 positions and a \$983,000 loan from the Health Statistics Fund.
- Augmented by \$977,000 (General Fund) to fund two positions and contract dollars to conduct research and data analysis regarding West Nile Virus.
- Rejected proposed trailer bill legislation to eliminate the Methadone Regulatory Program.
- Approved \$44.7 million (reimbursements which are federal funds transferred by the DSS) for expansion of the California Nutrition Network.
- Denied Budget Bill language regarding the Radiologic Health Program since it is not clear what activities or inspections would be reduced by the Governor's proposed action.

4280 MANAGED RISK MEDICAL INSURANCE BOARD

- Approved \$872 million (\$319.1 million General Fund) for the Healthy Families Program to serve an enrollment of about 774,000 children as of June 30, 2005. This appropriation level assumes no enrollment caps or block grant proposals as was contained in the Governor's January budget proposal.
- Adopted trailer bill language to implement premium increases in the Healthy Families Program beginning July 1, 2005 (i.e., 2005-06 fiscal year). Specifically, the Governor's proposal increases monthly premiums from \$9 per child to \$15 per child in families with incomes from 201 percent of poverty to 250 percent of poverty. Co-payments for certain services still remain the same. Also augmented by \$263,000 (General Fund) to fund administrative costs associated with the proposed change.
- Deleted \$175,000 (General Fund) for the consumer survey in the Healthy Families Program.
- Eliminated the \$1 million (Proposition 99 Funds) special reserve in the Access for Infants and Mothers (AIM) Program and redirected these funds as backfill to the General Fund in support of caseload adjustments in the State Hospitals.
- Recognized \$115.1 million (federal S-CHIP Funds) to be available for the County Health Initiative Matching Fund Program which enables counties to obtain a federal match for certain health care services provided to children with family incomes between 250 percent and 300 percent of poverty.
- Approved as budgeted the Managed Risk Medical Insurance Program (MRMIP).

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES**Community-Based Services**

- Enacted an unallocated reduction of \$7 million (General Fund) in lieu of approving the proposed statewide Purchase of Services (POS) standards as proposed by the Governor. As such, an increase of \$4.9 million (General Fund) was provided since the Governor's POS standards would have resulted in proposed savings of \$11.9 million (General Fund).
- Continued cost containment actions for Regional Center services enacted through the Budget Act of 2003 including the (1) application of the federal standard for substantial disability, (2) elimination of the SSI/SSP rate pass-through to Community Care Facilities, (3) service level freeze for Community Care Facilities, (4) suspension of funding for the start-up of new services unless it is associated with the placement of an individual in the community, (5) rate freeze on Adult Day Programs, (6) rate freeze for vendor-provided services conducted under contract to the Regional Centers, and (7) extension of the amount of time allowed for Regional Centers to conduct assessment of new consumers from 60 days to 120 days following initial intake. Also adopted modified trailer bill legislation to maintain the integrity of what was approved last year.
- Adopted a series of technical caseload and utilization adjustments for an increase of \$36.9 million (total funds) to the Purchase of Services item.
- Approved the Administration's fiscal assumptions for implementation of the Family Cost Participation Program, but adopted modified trailer bill language which provides for a fair hearing process and recognizes exceptions for medical needs. As noted in the trailer bill language, co-pays will be assessed on respite, camp, and day care services only and will *not* be applicable to families with incomes below 400 percent of poverty.
- Shifted \$48 million in federal Title XX funds to General Fund support due to the need for the federal funds to be utilized within the CalWORKs Program.
- Recognized \$29.9 million in increased federal funds attributable to South Central Regional Center of Los Angeles receiving federal Waiver approval and uses these funds as an offset for General Fund support in the Purchases of Services item.
- Approved the Administration's proposal to reduce Regional Center Operations funding by \$6.5 million (General Fund) as an unallocated reduction.
- Rejected the proposed increase of \$6.1 million (General Fund) for Regional Center Operations to implement the Governor's proposed statewide POS standards.
- Adopted trailer bill language to continue the freeze on the rates paid for habilitation services into 2004-05.
- Deleted \$1.7 million (General Fund) from the Purchase of Services to reflect the adoption of trailer bill language which defers implementation of changing the consumer-to-job coach ratio from 1 to 4 in the Habilitation Services Program until July 1, 2005.
- Increased by \$2.8 million (General Fund) Regional Center Operations to accelerate enrollment into the Home and Community-Based Waiver. This action will ensure that eligible individuals will be enrolled in the Waiver and therefore, save General Fund moneys as applicable.

- Re-appropriated \$5.1 million (General Fund) for the California Developmental Disabilities Information System (CADDIS). Also adopted Budget Bill language to more closely monitor the project.
- Reverted \$5 million (General Fund) in unexpended funds for the Bay Area Project.
- Provided funds to support seven new positions, and specified contract services, at the DDS to develop future other cost containment measures regarding standardizing rates and obtaining a Self-Determination Waiver.
- Deleted funds and two positions for DDS associated with the implementation of the statewide POS standards for savings of \$185,000 (General Fund).

Developmental Centers

- Captured the Administration's proposed \$11.1 million (General Fund) slated to be spent on expanding Sonoma Developmental Center (DC) due to the postponement of the Agnews DC closure until at least 2006, and placed these funds into a special account. Adopted Budget Bill language that controls the allocation of the funds for community-based living options for current residents of the Agnews DC in lieu of providing funds for Sonoma. This Budget Bill Language also provides for a 60-day review period by the Joint Legislative Budget Committee prior to expenditure of funds.
- Appropriated \$714.6 million (\$362 million General Fund) to serve 3,307 residents who reside in the state Developmental Center system. It should be noted that the Governor rescinded his proposal to contract out for food services.
- Rejected proposed trailer bill language related to the provision of protective services at the Developmental Centers.

4440 DEPARTMENT OF MENTAL HEALTH

Community-Based Services

- Rejected the Governor's proposal to double the county share of cost under the Early Periodic Screening Diagnosis and Treatment (EPSDT) Program from 10 percent to 20 percent. Increased funding of \$12.6 million (General Fund) was needed to backfill for this action.
- Approved a modified EPSDT Program audit process to use claims data for analysis in lieu of other methods for local assistance savings of \$3.9 million (General Fund), and reduced the state administrative augmentation by \$200,000 (General Fund) to reflect the revised workload need.
- Restored \$20 million (General Fund) to the Children's System of Care Program to ensure that this effective, cost-beneficial program continues to provide necessary mental health services to children diagnosed with serious emotional disturbances. However, the Governor vetoed the entire restoration except for \$350,000 which will be used to support the Cathie Wright Technical Assistance Center.

- Adopted the Administration's funding level for Mental Health Managed Care which does not provide a cost-of-living-adjustment for the third straight year in a row.
- Restored \$60 million (\$40 million General Fund) for the EPSDT Program to reflect the Administration's withdrawal of their flawed re-basing proposal that would have resulted in California losing over \$50 million in federal funds and would have devastated mental health outpatient services.
- Augmented by \$5 million (Proposition 98 Funds) the Early Mental Health Program for pupils in grades K through Third.
- Rejected the DMH proposal to eliminate \$724,000 (General Fund) from selected counties, including Sacramento County, for their psychiatric health facility, and 13 other counties that use these funds to obtain federal matching funds under the rehabilitation waiver.
- Approved uncodified trailer bill language related to enforcing mental health parity.
- Increased by \$500,000 (\$250,000 General Fund) to develop federally required informing materials for Medi-Cal recipients and related activities associated with recent federal regulation changes.
- Approved an increase of \$275,000 (Reimbursements from MRMIB) for supplemental mental health benefits provided under the Healthy Families Program.
- Saved \$246,000 (General Fund) by deleting three positions proposed to conduct activities associated with implementation of HIPAA.

State Hospitals

- Adopted the budget for the State Hospitals as proposed since the enrollment caps were rescinded by the Governor.
- Restored \$13.5 million (General Fund) related to a series of proposed changes by the Administration to the state's Sexually Violent Predator (SVP) Program since the proposed changes raised significant constitutional and legal issues which require further discussion through the policy committee process.
- Provided an increase of \$218,000 (General Fund) for the Conditional Release Program that serves SVPs.
- Adopted the Administration's proposal to defer the activation of Coalinga State Hospital until September, 2004 which saves \$10.7 million (General Fund).
- Rejected the Administration's proposal to shift financial responsibility to the counties for any patients in the State Hospitals who are deemed Incompetent to Stand Trial and who remain in the State Hospital for more than 10 days after a certificate of restoration of competency has been received by the courts. A General Fund backfill of \$360,000 was provided for this purpose.

HUMAN SERVICES

4130 HEALTH AND HUMAN SERVICES AGENCY DATA CENTER

- Adopted Budget Bill language to establish specific deadlines and requirements relative to the CWS/CMS go-forward plan and to allow the Department of Finance to augment DSS and HHSDC to transition the CWS/CMS hardware to the state.
- Adopted Budget Bill language and trailer bill language to require the Data Center to report annually to the Department of Finance and the LAO regarding the cost factors reflected in its rates and for the DOF to use the report to review the Data Center's rate setting methodologies.
- Increased spending authority by \$17.8 million to support the Unemployment Insurance Modernization Project, which will increase the Employment Development Department's capacity to detect and control fraud in the Unemployment Insurance system.
- Reduced funding for the Statewide Fingerprint Imaging System for savings of \$536,000.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

- Shifted the Song Brown Family Physician Training Program from the GF to the California Health Data and Planning Fund, on a one-time basis, for budget-year savings of \$4.1 million GF.
- Adopted uncodified trailer bill language to require OSHPD to develop alternative funding strategies to provide long-term stability and non-GF support for the Song Brown program and to report on the strategies at budget hearings.

4170 DEPARTMENT OF AGING

- Rejected the Governor's proposal to block grant funding for aging services and restored \$1.7 million to maintain program funding at the current-year level.
- Adopted placeholder trailer bill language to prohibit denial of aging services to eligible persons who are receiving IHSS and to require improved coordination of services and funding in a manner that maximizes cost effectiveness to the state and to counties.

4180 COMMISSION ON AGING

- Approved as budgeted.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

- Adopted the Governor's proposal to retain the Office of Problem Gambling within the Department of Alcohol and Drug Programs and to provide \$3 million from the Indian Gaming Special Distribution Fund to support the operations of the office.
- Appropriated \$1.8 million in federal funds to support expansion of dependency drug court programs. Adopted trailer bill legislation to require the department to establish data collection and reporting requirements to measure program outcomes and cost-effectiveness, including the amount of foster care savings realized by the programs.
- Adopted the Administration's proposal to increase by \$3.5 million in federal funding to support the delivery of alcohol and drug screening, intervention, referral, and treatment services to adult patients in medical settings across four counties.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

- Appropriated \$1.5 million GF to support the Naturalization Services Program, which assists legal permanent residents in obtaining citizenship.

5160 DEPARTMENT OF REHABILITATION

- Made a series of adjustments, reductions, and redirections to address a reduction in Social Security Reimbursements. Maintained funding for vocational rehabilitation counseling and placement services, the business enterprise program, and the Orientation Center for the Blind in the current year and the budget year.
- Adopted the following adjustments to maintain funding for personal services: a redirection of \$4 million in Vocational Rehabilitation program costs; a \$960,000 reduction in assistive technology grants; \$771,000 in program efficiencies; and \$2 million in a redirection of establishment grants. In addition, DOR plans to eliminate a contract with the Center for the Partially Sighted and instead support the Center's delivery of Vocational Rehabilitation services through a case services contract.

5170 STATE INDEPENDENT LIVING COUNCIL

- Approved as budgeted.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

- Adopted the following May Revision changes regarding the California Child Support Automation System (CCSAS): (1) a \$27.3 million (\$6.2 million GF) augmentation to support CCSAS activities; (2) Budget Bill language that would allow the Department of Finance to augment funding for the CCSAS Project and State Disbursement Unit, if needed to achieve federal certification; and (3) Budget Bill language to reappropriate prior-year funds for county conversions to reflect changes in the project schedule.
- Eliminated the proposed \$220 million for payment of the alternative federal penalty in the budget year, as the federal government will allow California to pay the penalty in the following fiscal year. Rejected the proposed legislation to require counties to pay a share of the federal penalty.
- Maintained the current policy of distributing child support collections made on behalf of families receiving public assistance to the federal, state, and county governments based on their share of funding for assistance programs. This action to reject the proposed elimination of the county share of child support collections will reduce GF revenues in the budget year by \$35.9 million.
- Appropriated \$4.2 million (\$1.4 million GF) to augment funding for Los Angeles County's Child Support Agency. Adopted Budget Bill language to require the agency to improve its performance, to increase child support collections by a specified amount, and to repay the funds if it does not achieve the required outcomes.

5180 DEPARTMENT OF SOCIAL SERVICES**In-Home Supportive Services and SSI/SSP**

- Adopted the May Revision proposal to restore funding to the IHSS Residual program and to assume federal financial participation in IHSS Residual program costs. Adopted trailer bill legislation to: (1) implement the Waiver; (2) shift eligible consumers from the Residual program to the waiver; and (3) retain the Residual program for services and persons not covered by the waiver. Federal funding for the Residual Program is contingent on approval of the IHSS Plus Waiver by the Centers for Medicare and Medicaid Services. The Budget Act assumes \$216.5 million General Fund savings from implementation of the waiver.
- Rejected the Governor's proposal to eliminate state participation in IHSS provider wages and benefits above the minimum wage. (\$129 million GF)

- Rejected the Governor's proposal to repeal the IHSS employer-of-record requirement, eliminate state funding for public authorities, and make the establishment of IHSS Advisory Committees optional for an increase in program costs of \$2.0 million GF.
- Restored funding, pursuant to the May Revision, to maintain domestic services for consumers who reside with family members and rejected the proposed trailer bill legislation to eliminate the aforementioned services "to the extent permissible under federal law".
- Assumed \$11.4 million in net GF savings from implementation of quality assurance efforts that seek to increase standardization in the authorization of services, prevent fraud and overpayments, and reduce program costs. Adopted trailer bill legislation which requires the state and counties to conduct case reviews, error rate studies, and claims audits, to prevent fraud and assure services are authorized appropriately. The legislation defines overpayment and fraud for purposes of IHSS; establishes mechanisms for fraud investigation and overpayment collection; and requires the state to implement guidelines for assessments and authorization of services.
- Rejected the Governor's proposal to withhold the federal SSI cost-of-living adjustment in the 2004-05 fiscal year. Delayed the 2004-05 state SSI/SSP COLA to April. (\$112.8 million GF)
- Rejected the Governor's proposed elimination of the California Veterans Cash Benefit Program at a \$5.5 million GF cost. The program provides cash assistance to Filipino World War II veterans who were receiving SSP in 1999 and who relocated to the Philippines.
- Adopted the May Revision rescission of enrollment caps and block grants for various human services programs that serve legal immigrants including the Cash Assistance Program for Immigrants (CAPI), the California Food Assistance Program and CalWORKs.
- Adopted trailer bill legislation to require counties to assist CAPI recipients in applying for the federal SSI program and to require DSS to reimburse counties for legal fees incurred during successful SSI appeals, subject to a cap. Assumes \$3.1 million in savings from the successful transition of persons from CAPI to SSI.

CalWORKs and Food Programs

- Rejected the Governor's proposed grant reduction. Suspended the 2004-05 CalWORKs cost-of-living adjustment (COLA) for three months. (\$194.1 million GF)
- Adopted revised CalWORKs work requirements that increase the program's emphasis on work. Specifically, adopted legislation to require CalWORKs participants to enter into a welfare-to-work plan within 90 days of becoming eligible for aid and to engage in 20 hours per week of core work activities, as part of their 32 to 35 hours of required participation in welfare-to-work activities. Core work activities includes employment, on-the-job training, vocational education (up to 1 year), and supervised community service. Under specified conditions, core work activities may include mental health or substance abuse treatment, and some education activities. The Budget Bill assumes \$14.5 million in savings from the reforms.

- Rejected the Governor's proposed safety net grant reductions and deeper grant reductions to families in sanction status. Required that the Department of Social Services examine the CalWORKs sanction policy, its implementation, and effect on work participation, and develop recommendations to improve its effectiveness by April 1, 2005.
- Restored \$50 million to fund CalWORKs administration and employment services activities.
- Adopted trailer bill legislation to reappropriate up to \$40 million in unspent county CalWORKs administration, employment services, and child care funds to support welfare-to-work services in the budget year. The Governor vetoed \$40 million in federal TANF funds for employment services to nullify the effect of the trailer bill legislation.
- Rejected the Governor's proposed reimbursement rate reforms and some eligibility reforms at a cost to the CalWORKs program of \$28.8 million. Reduced the amount of TANF funds to support Stage 2 child care by \$44.4 million.
- Maintained the reduction to Tribal TANF funding to be implemented as an across the board reduction to all Tribal TANF programs. Adopted trailer bill language specifying the use of \$15.5 million in unspent Tribal TANF funds to support the programs in the budget year and to establish, beginning in July 1, 2005, a new caseload-based methodology to determine state funding for existing Tribal TANF programs.
- Appropriated \$2.1 million to support delivery of mental health and substance abuse services by Indian Health Clinics to low-income families.
- Adopted the May Revision proposal to transfer \$20 million in TANF funds to the Department of Health Services for support of the Community Challenge Grant Program, which works to mitigate teen pregnancy and nonmarital births.
- Rejected the Governor's proposed TANF transfers to foster care and to the Department of Developmental Services and restored GF support to the affected programs. Adopted Budget Bill language to prohibit TANF fund transfers from the CalWORKs reserve to the Social Services block grant.
- Maintained Transitional Food Stamps benefits and recent eligibility reforms, which will extend food assistance to 81,000 low-income California households and will generate \$4.5 million in ongoing GF revenue (\$1 million net GF revenue increase in the budget year).

Community Care Licensing

- Rejected proposed legislation to increase community care licensing fees, over three years, to replace GF support for the licensing program. Assumed \$5.8 million in increased fee revenue and adopted trailer bill legislation to adjust fees to realize the assumed level of revenue.
- Required that community care licensing fees be deposited into the Technical Assistance Fund to improve legislative oversight and assure that fee revenues are used for their intended purpose.
- Maintained a \$4.6 million (\$2.6 million GF) increase to support workload associated with criminal background checks and processing of subsequent arrest information. Approved

requested funding increase to support conviction information processing, which may reduce workload associated with investigating arrest reports.

- Adopted trailer bill legislation to require the Health and Human Services Agency, to the extent feasible, to examine existing background check processing, develop alternatives to streamline and standardize background check processing, and to report at budget hearings.

Automation Projects

- Adopted Budget Bill language to establish specific deadlines and requirements relative to the CWS/CMS go-forward plan, and to allow the Department of Finance to augment DSS and HHSDC to transition the CWS/CMS hardware to the state.
- Adopted trailer bill legislation to specify the provisions of the new In-Home Supportive Services Case Management Information and Payrolling System, including case management, payrolling and program management, and to require that procurement begin by August 2004.

Children and Youth Services

- Adopted foster care reforms for savings of \$4.7 million. The reforms include: eliminating the requirement that counties examine foster care eligibility on a semi annual basis, and eliminating state reimbursement for audit costs incurred by small foster care providers.
- Rejected a number of proposed foster care reforms that were not expected to generate budget year savings. The reforms include: reducing the foster care grant for children placed with relatives after four years of placement; various changes to the group home audit processes; and developing and implementing performance based contracting for foster care providers.
- Rejected the Governor's proposal to require a county-match of the Child Welfare Services Augmentation, which has been funded by the state since 1998 to address program "under funding" and provide workload relief. The Governor vetoed the legislative restoration, reducing program funds by up to \$90 million if counties do not provide the new county-match. (\$17 million GF).
- Approved \$33.2 million (\$6.7 million GF) in increased funding to support program reforms and improvements to the child welfare services system, including implementation of the new CWS outcomes and accountability system, the state's program improvement plan, components of the CWS Redesign and expanded child abuse prevention efforts.
- Adopted Budget Bill language to reappropriate unspent CWS Redesign funding to support various activities in the budget year, including the development and implementation of a standardized safety assessment system and differential response.
- Adopted a May Revision increase of \$25.8 million (\$3.8 million GF) to implement the *Rosales v. Thompson* court decision which expanded eligibility for federal foster care funding to thousands of low-income relatives caring for foster children.

LABOR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

- Approved as budgeted.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

- Approved Control Section 6.60, to allow state government workers' compensation savings, up to \$40 million, to augment funding for Employment Training Panel grants.
- Approved Finance Letter to add provisional budget language allowing the Employment Development Department to augment the Employment Development Contingent Fund appropriation in order to make interest payments on a federal Unemployment Fund loan.
- Approved Finance Letter that schedules Workforce Investment Act Discretionary Fund expenditures. Added a provision to specify that up to \$310,000 of the funds shall be used to support fire and fuel reduction training for California Conservation Corps members.
- Approved a \$20.8 million augmentation from the Employment Development Department Contingent Fund to offset a reduction in federal funds and maintain the current level of funding for Unemployment Insurance administration.
- Approved a \$12.6 million augmentation from the Benefit Audit Fund to offset a reduction in federal funds and maintain funding for UI benefit payment control activities at the current level.
- Approved a \$16.1 million augmentation from the Employment Development Department Contingent Fund to partially offset a loss in federal funds to the Job Service Program.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

- Eliminated the Industrial Welfare Commission to generate GF savings of \$235,000.
- Approved Finance Letter to augment \$20.1 million from the Workers' Compensation Administration Revolving Fund and add 249 new positions for workload related to Chapter 639, Statutes of 2003 (SB 228).

- Approved Finance Letter that provides authority for the Director of Finance to augment the Workers' Compensation Administration Revolving Fund for workload associated with Chapter 34, Statutes of 2004 (SB 899).
- Augmented funding by \$300,000, General Fund, to improve labor-law enforcement.

Trailer Bill Language

1. Amended the Labor Code Private Attorneys General Act of 2004 (SB 796) to add specified procedural and administrative requirements.

VETERANS AFFAIRS

0553 OFFICE OF INSPECTOR GENERAL FOR VETERANS AFFAIRS

- Approved as budgeted, which eliminates the Office of Inspector General.

8955-8966 DEPARTMENT OF VETERANS AFFAIRS AND VETERANS HOMES OF CALIFORNIA

- Approved Finance Letter to augment funding by \$2 million GF and decrease reimbursements by the same amount to better align the budget to actual reimbursements.
- Rejected Governor's Budget proposal to shift funds collected from members' estates from the Morale, Welfare and Recreation Fund to the GF for unreimbursed cost of care.
- Approved position reductions to generate GF savings of \$426,000, but shifted all of the reductions from the homes to the headquarters.